

1. Specify: ☐ agricultural project or ☒ individual application or
☒ urban project ☐ joint application
2. Proposal title—concise but descriptive: EcoChecks Network
3. Principal applicant—organization or affiliation: Pieroni Enterprises, LLC
4. Contact—name, title: Cathy Pieroni, Vice President
5. Mailing address: 1441 Froude Street, San Diego, CA 92107
6. Telephone: (619) 224-2732
7. Fax: (619) 224-0735
8. E-mail: cpieroni@home.com
9. Funds requested—dollar amount: \$200,000
10. Applicant cost share funds pledged—dollar amount: \$200,000
11. Duration—(month/year to month/year): July 2001 to June 2002
12. State Assembly and Senate districts and Congressional district(s) where the project is to be conducted:
the 76th, 77th, 78th and 79th State Assembly districts, the 37th, 39th and 40th State Senate districts and the 49th, 50th and 51st Congressional districts
13. Location and geographic boundaries of the project: the City of San Diego
14. Name and signature of official representing applicant. By signing below, the applicant declares the following:
 - the truthfulness of all representations in the proposal;
 - the individual signing the form is authorized to submit the application on behalf of the applicant;
 - the applicant will comply with contract terms and conditions identified in Section 11 of this PSP.

February 14, 2001
(date)

(signature of applicant)

B.2. Need for the Project

The typical conservation program is offered by utilities at parochial levels. Even though multiple stakeholders (i.e., water, wastewater, energy, government, and manufacturers) enjoy the conservation and other benefits of these programs, they have rarely been co-funded or even co-promoted.

Why not? We believe it is mostly due to logistics. It is simply too difficult for stakeholders to sort out each other's service territories, regulatory requirements, and personal preferences and still be able to effectively coordinate program management. The tendency is to simplify operations via isolationism. As a result, programs are more expensive to run (by having lost economies of scale and co-funding opportunities), obscurely promoted and less appealing to customers.

Moreover, the isolationist approach makes it very difficult for smaller agencies to support. They do not have the resources to "recreate the wheel". Therefore, the only choice for these smaller agencies is to opt out of conservation.

In 1995/96, (the most current year for a printed Annual Summary Report) the California Urban Water Conservation Council (CUWCC) reported that only 44% of the reporting agencies¹ were implementing BMP 14, Ultra Low Flush Toilet Replacement. If we assume that the non-reporting agencies were also not implementing BMP 14, then the percentage of CUWCC signatories implementing BMP 14 decreases to only 23%. These numbers represent a great reservoir of untapped conservation potential in California.

In addition to BMP 14, other BMPs that can be supported by the **EcoChecks Network** include:

- ✓ BMP 2, Residential Plumbing Retrofits
- ✓ BMP 5, Large Landscape Conservation Programs and Incentives
- ✓ BMP 6, High-Efficiency Washing Machine Retrofits
- ✓ BMP 9, CII High-Efficiency Retrofits
- ✓ PBMP 3, Other Appliance and Irrigation Device Retrofits
- ✓ PBMP 4, Car Wash Retrofits
- ✓ PBMP 5, Graywater Use
- ✓ PBMP 8, Swimming Pool and Spa Retrofits
- ✓ PBMP 10, Point-of-Use Water Heaters, Recirculating Hot Water Systems, etc.

¹ 52% of water agencies submitted an annual summary report that year

Unlike the “disposable” databases of traditional rebate programs, the **EcoChecks Network** can be offered to an unlimited number of utilities, regardless of their program length, design or size. In essence, each utility and each utility’s customers will be logging onto the same system. It won’t matter if an agency’s goal is to issue 500 or 50,000 rebates, each will have access to the same world-class system with approximately the same low costs per rebate check issued.

This is an important point. Until now, agencies wishing to offer smaller rebate programs have been stymied by the cost of developing a customized database to support their operations. The web-enabled aspect of the **EcoChecks Network** offers agencies a low-cost alternative to outsourcing while still preserving local flexibility.

The post-pilot application of the **EcoChecks Network** will be as an Application Service Provider (ASP). In essence, utilities or implementation contractors will “lease” the administrative system for as long as their program is active. A low transaction fee will be charged for each rebate check processed and printed. Agencies will have the option of recruiting and incorporating cost-sharing partners.

The **EcoChecks Network** supports a wide variety of implementation preferences. Agencies wishing to run an in-house program can utilize the system with modest staffing increases to perform inspections and take customer phone calls. Agencies looking for a turnkey approach can hire an implementation contractor to perform inspections and handle customer calls. The implementation contractor can use the **EcoChecks Network** just as easily as the agency can.

The **EcoChecks Network** builds on existing water-use efficiency programs (see the aforementioned list of BMPs and PBMPs) that offer financial incentives towards the retrofitting of older, less efficient devices or fixtures. Among urban conservation programs, retrofit programs are considered to be the most cost-effective and most easily quantifiable.

In short, the **EcoChecks Network** will be able to.....

.....support the issuance of any financial incentives designed to encourage the retrofit or installation of any high efficiency device, system or appliance throughout California in a way that is consistent with the CUWCC’s Best Management Practices.

.....expedite the issuance of financial incentives, improve customer relations and provide an important new marketing and outreach opportunity.

..... facilitate *cooperative* financial sponsorship of conservation programs among multiple stakeholders. The logistical barriers of co-sponsorship will be removed. Agencies will have co-funding choices.

B.3. Nature, Scope and Objectives of the Project

Nature

For the purposes of the grant request, we propose a demonstration project of our system in the City of San Diego (the City) during the fiscal year of 2001-2002, focusing only on the issuance of ULFT incentives.

The City of San Diego has long been considered a leader in the world of water conservation. The City has sponsored a very successful ULFT Rebate program since 1990. Many of the ULFT rebate programs nationwide are modeled from the City of San Diego's existing program design. The City is interested in exploring the merits of the **EcoChecks Network** as a way of improving the existing program model, improving community outreach and reducing their costs.

Please note that while City staff have reviewed and agreed with all which is relayed in this proposal, City participation is contingent upon approval from supervisors.

Scope

The number of ULFT rebates issued annually in the City of San Diego has varied historically from approximately 10,000 to 20,000. For purposes of this grant proposal, we estimate 14,000 ULFT rebates will be issued during the project's term (1 year), which is significantly higher than the previous year's participation level of 11,000.

The City will provide in-house staffing to support customer calls, to mail rebate applications when applicable, to mail customer satisfaction surveys and to perform inspections. The City will also be responsible for covering all the expenses related to their in-house operations, including phone expenses, computer equipment, printers, office supplies, postage, marketing and reimbursements for transportation (for inspectors).

The City's costs to administer the project represent the pilot project's matching funds. The funds for the ULFT rebate (up to \$75 per ULFT) are not considered a "program cost" and as such are not recorded for purposes of matching funds. The Metropolitan Water District of Southern California (MWD) will contribute \$60 per retrofitted ULFT and the San Diego County Water Authority (SDCWA) will contribute 50% of the balance.

Pieroni Enterprises (PE) will be responsible for all expenses related to initializing, customizing and maintaining the **EcoChecks Network** as described in this proposal in addition to the costs of mailing all rebate checks and IRS Form 1099s (as is appropriate).

The City and PE will work cooperatively to record and document all findings related to this pilot project's objectives.

Objectives

The objectives of the pilot project are threefold. We would like to test the:

1. Elimination of cost inefficiencies. We anticipate that the new program model will produce significant savings over the traditional program model in terms of saved labor, postage, phone expenses, etc. Moreover, we expect that our system will minimize typical administrative hassles such as regional reporting requirements.
2. Community response. We anticipate that the EcoChecks Network will make the program more desirable to the community, thereby increasing participation levels. We intend to include customer satisfaction surveys from those customers or retrofit companies who link directly into the EcoChecks Network and those who utilized the traditional model and evaluate their responses.
3. Cost-sharing possibilities. We would like to explore the potential value of the EcoChecks Network to traditional and nontraditional partners.

B.4. Methods, Procedures and Facilities

The **EcoChecks Network** will include all the features of a world-class administrative system for rebate/voucher programs, including but not limited to:

- ✓ Integration of the City's customer accounts (for eligibility determination)
- ✓ Integration of previous years' program activity
- ✓ Track all rebate application and issuance data
- ✓ Print rebate checks and customer satisfaction surveys
- ✓ Scheduling system for inspections

The following features are unique to the **EcoChecks Network** and will be phased in according to the schedule described in the next section:

- ✓ Real-time management reports
- ✓ Dynamic applications – customers can apply for rebates on-line
- ✓ Commercial account logins (for plumbers, retrofit companies, dealers)
- ✓ Electronic reporting to SDCWA, MWD, CUWCC, and other appropriate agencies
- ✓ Financial electronic data interchange (EDI)
- ✓ Highest security
- ✓ Fraud detection safeguards
- ✓ Technology-Enabled Relationship Management (TERM)

The very design of the **EcoChecks Network** is to collect, organize, analyze, synthesize and distribute sizeable amounts of data related to nearly every facet of the pilot project in ways that create value. As such, this project is ideally suited for a study related to our three objectives. Specific methodological descriptions are as follows:

Objective #1–Elimination of Cost Inefficiencies

Because the City of San Diego has more than ten years' experience operating their ULFT rebate program, they possess a wealth of information related to the typical costs of the traditional model for issuing rebates. We will contrast this information against the annual *operational* costs (not including the costs of conducting the study or other unique circumstances outside normal operations) of the **EcoChecks Network**. The City and PE will work together to provide this analysis.

Objective #2–Community Response

As far as we know, no other utility has integrated a web-enabled approach for offering financial incentives to their customers. As such, the community's response to such an arrangement is yet unknown.

Recent statistics suggest that approximately 50% of the American public has access to the Internet while over 60% of Americans have Web access from their place of work. These numbers are anticipated to continue increasing significantly in the near future.

The **EcoChecks Network** will administer *all* aspects of the City's ULFT rebate program—whether they apply for their rebate on-line *or* call into the City's office requesting that a rebate application be mailed to them. In the latter case, City staff will input data into the **EcoChecks Network** on behalf of the customer. All of this data will be tracked from the inception of the pilot project. We will also track how many people log onto the website just looking for information without applying for a rebate and contrast that to the number of phone calls received by City staff asking for general information about the program.

The City would like to provide further community outreach by establishing computer stations in each of its fourteen Neighborhood Service Centers for use by customers without other Internet access. At these Centers, we hope to explore ways of issuing “instant rebates” to qualified customers. All related data will be tracked on the **EcoChecks Network**.

Finally, all data related to the acceptance of “community partner accounts” will be tracked and reported. We hope to establish community partner accounts with plumbers, retrofit companies and other local businesses that can apply for ULFT rebates on behalf of their residential customers. These accounts will offer expedited rebate processing.

Objective #3–Cost Sharing Possibilities

The underlying premise of this objective is the belief that the expanded networking capabilities that a web-enabled system for processing utility-sponsored financial incentives offers something of value to other stakeholders. Once the **EcoChecks Network** has been successfully deployed in this pilot project, we would like to present value-added services and data (in aggregate form only—no customer-specific information) to various businesses and organizations for their consideration. *If* there is any intrinsic value to the services or data, then utilities can possibly elect to minimize their own costs by bringing these stakeholders into an extension of the **EcoChecks Network**.

Some of the possibilities include:

- ✓ Other utilities, as appropriate (wastewater, electric, gas, etc.)
- ✓ Community partners (plumbers, retrofit companies, etc.)
- ✓ Upstream vendors (product manufacturers)
- ✓ Regional/federal organizations

PE and the City propose to work closely together in structuring presentations to potential stakeholders for their consideration in this regard. The City will provide written advance authorization for all presentations. Responses will be documented and shared as part of the pilot project.

B.5. Schedule

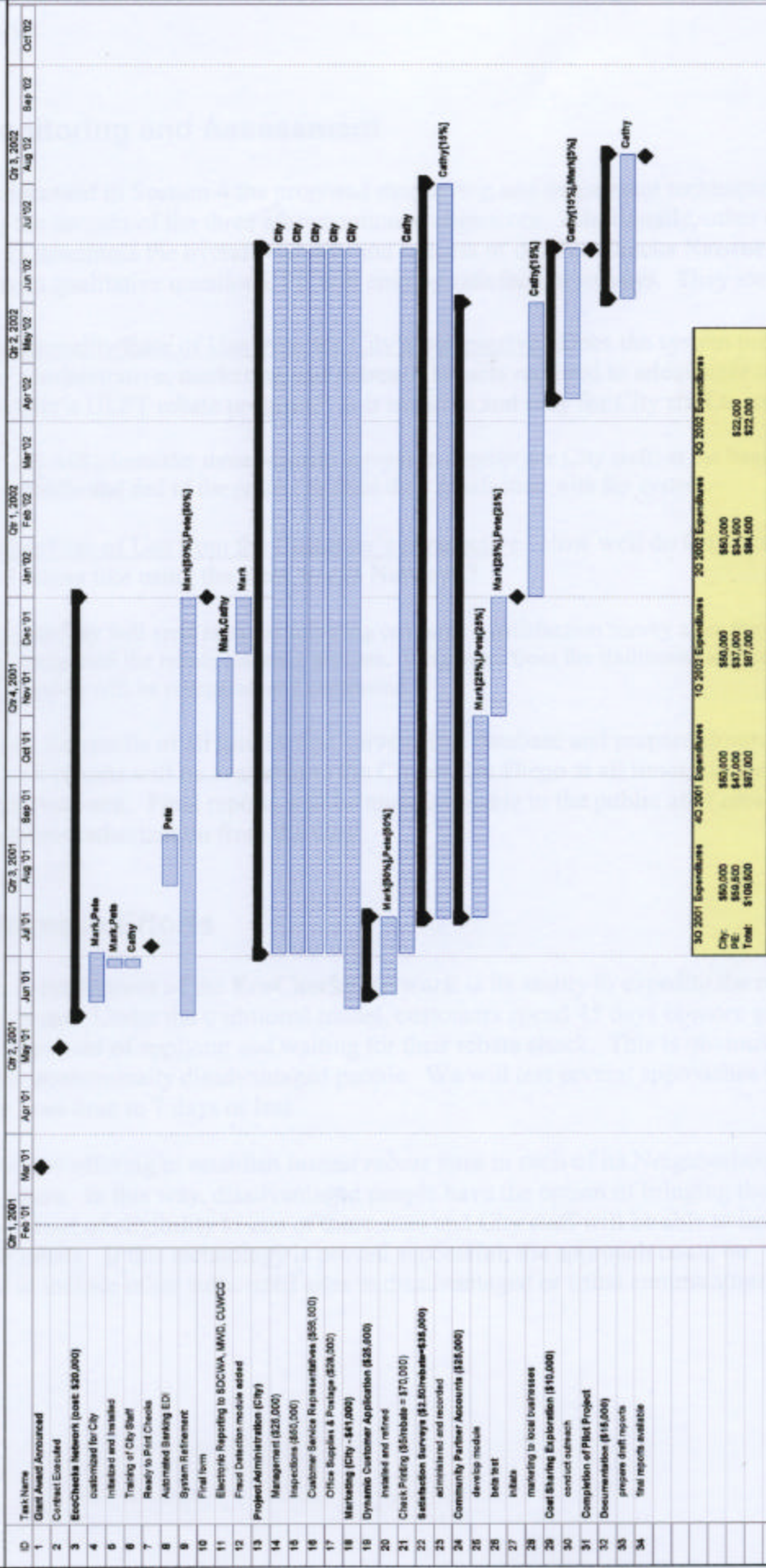
We anticipate three distinct phases for this project. During Phase 1, PE will setup the **EcoChecks Network** for use by the City. In addition to the fully functioning in-house administrative system, the on-line application will be available to San Diego customers. We budget six months for Phase 1 in order to allow sufficient time for system refinements. The City will hire all necessary staff to administer the program and provide all necessary supplies.

Phase 2 will focus on establishing the *Community Partner Accounts* module and the *Instant Rebates* module for use at the City's Community Centers. We anticipate starting Phase 2 in the 2nd quarter, after critical issues related to Phase 1 have been resolved.

Phase 3 will begin in the last quarter of the project and will focus on exploring cost-sharing possibilities as described above. We will also begin the analysis of the project's other two objectives.

Please refer to the schedule provided on the next page for a more detailed description of the project's tasks, deliverable items, due date, projected costs for each task and a quarterly expenditure projection.

EcoChecks Network Schedule



B.5. Schedule

Insert Schedule Chart here

B.6. Monitoring and Assessment

We have discussed in Section 4 the proposed monitoring and assessment techniques for measuring the success of the three aforementioned objectives. Additionally, other criteria will serve to determine the overall viability and success of the **EcoChecks Network**. To measure these qualitative questions, PE will employ satisfaction surveys. They include:

- Functionality/Ease of Use from the City's perspective. Does the system provide the administrative, marketing and outreach aspects required to adequately service the City's ULFT rebate program? Is it intuitive and easy for City staff to use?
 - ✓ PE will administer three separate surveys to appropriate City staff: at the beginning, middle and end of the project to chart their satisfaction with the system.
- Value/Ease of Use from the Customer's perspective. How well do City customers and others like using the **EcoChecks Network**?
 - ✓ The City will send each participating customer a satisfaction survey after they have completed the rebate issuance process. Responses from the traditional and new models will be compared and contrasted.

PE will track the results of all satisfaction surveys in a database and prepare summary reports. Draft reports will be available to the City of San Diego at all times via the **EcoChecks Network**. Final reports will be made available to the public after receiving advance written authorization from the City.

C.1. Outreach Efforts

One of the main features of the **EcoChecks Network** is its ability to expedite the rebate issuance process. Under the traditional model, customers spend 45 days or more going through the process of applying and waiting for their rebate check. This is obviously a hardship for economically disadvantaged people. We will test several approaches to reduce this wait time to 7 days or less.

The City is also offering to establish *instant rebate* sites in each of its Neighborhood Service Centers. In this way, disadvantaged people have the option of bringing their receipt and proof of eligibility to one of these sites and City staff will be able to instantly issue a full rebate. If this technology is proved successful, the approach could be broadened to include other authorized sites in disadvantaged or tribal communities.

C.2. Training, Employment, and Capacity Building Potential

For the purposes of the pilot project *only*, we estimate ten or fewer new jobs will be created. Training will be extended to all appropriate City Staff, including staff at Neighborhood Service Centers. Therefore, we estimate training 20 people how to use the **EcoChecks Network**.

C.3. Plan for Disseminating Information on Project Results

PE will prepare the reports described earlier in this proposal. With written approval from the City, PE will post PDF copies of final reports on a yet-to-be-determined website. All supporting data will likewise be made available for peer review, with customer names and addresses removed to protect their privacy.

C.4. Notification Letters

Please refer to Attachment A for copies of notification letters sent to the City of San Diego, San Diego County Water Authority and the Metropolitan Water District of Southern California.

D.1. Resumes

Please refer to Attachment B for copies of resumes for Cathy Pieroni, Mark Pieroni and Pete Patron. Cathy Pieroni will serve as the Project Manager. Mark Pieroni will be responsible for the relational database to support the project. Pete Patron will be responsible for web-specific architecture and functions to support the project.

D.2. Cooperators

We anticipate establishing cooperator relationships with local plumbers, retrofit companies, retail stores, dealers and upstream manufacturers. Their role will be to use the **EcoChecks Network** as described earlier and to provide feedback as to its value.

D.3. Partnerships

No partnerships have been developed at this time for purposes of project implementation.

E.1. Budget Summary and Breakdown

Please see Attachment C for a detailed budget.

E.2. Budget Justification

Please see Attachment C for a brief explanation for the labor costs, equipment, supplies, and travel included in the budget.

E.3. Benefit Summary and Breakdown

The EcoChecks Network supports the issuance of financial incentives towards the early retrofit of efficient fixtures, devices and appliances. Multiple studies throughout California have documented the significant contribution these types of programs make towards reliable, quantifiable water savings in the urban sector. As such, they are highly represented among the CUWCC's list of BMPs and PBMPs.

We assume that a ULFT rebate check issued from the EcoChecks Network will save as much water as will one issued via the traditional model. The benefit from this project, therefore, will be in the establishment that the EcoChecks Network is able to make financial incentive programs more appealing to utilities and their customers. By doing so, more utilities and their customers will participate in these BMPs and accelerate the implementation schedule.

We assert that the two most significant ways in which financial incentive programs can be made more appealing to utilities is by developing ways to make the program easier and less expensive to administer.

Expected project outcomes include:

- ✓ Increased participation rate from 11,000 annually to 14,000 or more
- ✓ Decreased operational costs of 25% or more
- ✓ Co-funding opportunities identified to further reduce operational costs
- ✓ Significant customer usage of on-line system
 - 30% customers information gathering
 - 20% residential customers apply for rebates on-line
 - 40% corporate customers apply for rebates on-line

The improved performance of the EcoChecks Network over traditional models will be made available to utilities throughout California.

E. 4. Assessment of Costs and Benefits

A. Major Analysis Assumptions

1. 14,000 Residential Rebates will be administered in the City of San Diego during FY 2001-2002. SF = 65%, MF = 25%, and CII = 10% participation.
2. Water Savings per SF ULFT = 25 gpd over 20 years with no decay rate, MF = 48 gpd and CII = 71 gpd
3. 98% of UFLT installations verified
4. Rebate amount of \$75 per ULFT
5. Total Pilot Project administration of \$28.57 per rebate (\$400,000/14,000)
6. Total Project Funds = \$103.57 per rebate
7. Avoided Cost of Water = \$430/AF (City of San Diego's cost of water)
8. Discount rate = 6%

B. Benefits and Costs in year 2000 dollars

Water Savings = weighted UFLT savings of 35.35 gpd * 365*20*14,000*.98/ 325,851
 = 10,865 AF saved over 20 years
 Avoided Costs = \$4,672,139
 Program Costs = \$1,450,000 total (\$75 rebate + \$28.57 admin.) * 14,000

C. Present Value Equivalents

Avoided Costs = \$1,894,946
 Program Costs = \$1,448,755

D. Present Value Costs & Benefits for Each Beneficiary

| | PV Costs | PV Benefits | Non-Quant. Costs | Non-Quant. Benefits* |
|---------------------|-----------|-------------|---------------------|-------------------------|
| Pieroni Enterprises | n.a. | n.a. | n.a. | 4 |
| City of San Diego | \$205,000 | \$268,136 | n.a. | 1, 3 |
| SDCWA | \$205,000 | \$268,136 | n.a. | 1, 2 |
| MWD | \$840,000 | \$1,098,705 | n.a. | 1, 2 |
| CALFED | \$198,755 | \$259,968 | n.a. | 1 |

* Benefits:

1. Lower costs for future rebate/voucher programs
2. Accelerated regional application of financial incentive programs in future
3. Improved relations with retail customers
4. Recognition of product viability

Budget for EcoChecks Pilot Project

Exhibit C

| Item | Program Costs | Per Rebate Cost (assumes 14,000 rebates) | |
|--|---------------------|--|---|
| Rebate Funds | | | |
| 1 | \$ 1,050,000 | \$ 75.00 | ULFT rebate amount to customer |
| In-kind contributions from the City | | | |
| 2 | \$ 28,000 | \$ 2.00 | Postage/Supplies |
| 3 | \$ 49,000 | \$ 3.50 | Inspections |
| 4 | \$ 56,000 | \$ 4.00 | Call Center |
| 5 | \$ 25,000 | \$ 1.79 | Management |
| -- Plus -- | | | |
| 6 | \$ 42,000 | \$ 3.00 | Marketing (outsourced separately) |
| | \$ 200,000 | | Subtotal |
| EcoChecks Network | | | |
| 7 | \$ 54,000 | \$ 3.85 | Project Management (1200 hours @ \$45/hour) |
| 8 | \$ 91,000 | \$ 6.50 | System Development (1400 hours @ \$65/hour) |
| 9 | \$ 39,000 | \$ 2.80 | Web Development (600 hours @ \$65/hour) |
| 10 | \$ 16,000 | \$ 1.15 | Postage and Supplies |
| | \$ 200,000 | | Subtotal |
| | \$ 1,650,000 | \$ 117.86 | Total |
| <p>2. Assumes the City mails out 1 survey per rebate plus 75% of rebate applications. Includes postage and supplies.</p> <p>3. Assumes 1FTE (40 inspections/week) @ \$15/hour plus 30% benefits plus 25% mark-up for travel expenses</p> <p>4. Assumes 1.5 FTE @ \$11/hour plus 30% benefits plus 25% phone expense</p> <p>5. Assumes management time contribution worth \$25,000</p> <p>6. Marketing to be outsourced. Includes brochure design, printing, forms, etc.</p> <p>10. Assumes all mailing costs related to 14,000 rebates plus 1099 forms</p> <p>7, 8 & 9. Assume contractor rates which already includes benefits, travel, etc. No mark-up.</p> <p>Note: Rent and similar expenses are not charged to this project</p> | | | |